



**Phoslock Water Solutions Ltd.**  
ABN 88 099 555 290



## ASX ANNOUNCEMENT

Wednesday 31<sup>st</sup> October, 2007.

### BUSINESS UPDATE

PWS cash receipts from sales for Q3 2007 were lower than the previous quarter due to lower collections with sales occurring at the end of the quarter.

During the quarter PWS's pipeline of larger projects (greater than 500 tons) grew in size with several expected to commit to major applications in the foreseeable future.

PWS has made solid progress during the quarter with its prawn trials in South East Asia and is now in dialogue with growers from five countries.

PWS has recently submitted six large volume proposals to major water authorities, at their request, for WaterSavr to be applied to their storage lakes and reservoirs for the coming summer period.

A business update on each line of business is detailed below:

### Australia

PWS is currently working with major water utilities in Australia on application strategies to improve water quality in water storages and reduce the likelihood of blue green algae outbreaks.

The heavy rainfall in selected east coast catchment areas over the winter months has bought much needed water to the reservoirs however much of this contained high nutrient levels. This is creating some major water quality management issues.

There is a pipeline of over 20 potential Phoslock applications in Australia greater than 5 tons. In addition to the work with the major water utilities, PWS is working with a number of local authorities on various potential applications.

ASX Code: PHK  
Share Price: A\$0.275  
Issued Shares: 148.4m  
Market Cap: A\$40.8m  
Unlisted Options: 27.9m

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## **International**

Several medium and small applications were completed in Europe and the UK during the recently completed quarter. The pipeline of future applications is long and has grown substantially during the quarter. Sales efforts in Europe are currently focussed on the U.K., Germany, The Netherlands, Poland and Italy however dialogue has also recently commenced with authorities in Finland and Spain.

Our licensee for Germany, the Institut Dr Nowak (IDN), has applied Phoslock to three recreational lakes in Germany over the past 12 months and has achieved excellent results. These results, combined with major promotional activities undertaken by IDN during July and September, have substantially increased awareness and interest levels for Phoslock in Germany. During the quarter, IDN has prepared and submitted proposals for projects totalling more than 2,000 tonnes.

In Poland, Phoslock is under consideration by authorities in three major lake restoration projects. Funding for two of these projects has been secured and is in excess of several million euro. PWS and its licensee for the Benelux countries (IDN) are confident that an application of Phoslock will also take place on a recreational lake in southern Netherlands during the next quarter. This will be the first project for Phoslock in The Netherlands.

In North America, approval has been obtained by a major lake conservation authority to use Phoslock on a 25km canal system surrounding a major lake. Expected volumes for this application are in the 100-200 ton range. This is the first stage of a major treatment plan with the next stage being the treatment of hotspot areas in this very large eutrophied lake. There are many other lake systems in this area and adjoining states/provinces which require similar Phoslock treatments. Authorities from these areas are looking closely at the Phoslock application and results on the treated water bodies.

In northern China, PWS signed a MOU with a major private environmental company and top tier university to develop a strategy to treat a heavily eutrophied river and canal system servicing a city with a population greater than 10 million people. Given the very poor quality of this waterway (which is similar to a large number of other Chinese waterways and waterbodies), the treatment solution is likely to be a hybrid product made up of Phoslock raw materials and other products. Government funding is currently being sought for a 3.5km trial on one of the tributaries of the river system for application in April 2008 and if successful a full application to 75km of waterways later in 2008 (equivalent to over 1,000 tons of Phoslock). The PWS Board has set strict criteria for doing business in China. All projects must be with verified governmental bodies and will only commence upon receipt of a substantial project funds deposit.

In South Korea, Phoslock has been included in a governmental project aimed at restoring the country's wetlands.

In other Asian countries (Japan, Taiwan, Singapore) PWS continues to work with its licensees (and potential licensees) developing a Phoslock business. Meaningful progress was made during the last quarter.

In New Zealand, a further 20 tons was applied to Lake Okareka, near Rotorua. This was the third Phoslock application to this lake. The local authorities are in the final stages of evaluating various performance criteria before undertaking an enormous remediation programme in the coming years. An amount of NZ\$12m has been allocated in their budget for use of Phoslock in the remediation programme.

## **Aquaculture**

Results from trials with larger prawn farms in South East Asia have produced positive results. The focus of the applications has been to improve water quality and eliminate blue green algae in the growing ponds. The ponds used for a major trial are currently being harvested with results expected shortly. PWS is progressing commercial arrangements with prawn growers in five South East Asian countries.

The Australian prawn growing season has recently commenced. Phoslock is being trialled by a major Australian prawn grower in the coming growing season.

## **WaterSavr**

The interest in WaterSavr has been extremely strong. PWS has six large volume WaterSavr proposals with managers of large water storages in Victoria, NSW and Queensland. Decisions are expected shortly as customers are entering the peak evaporation period.

PWS is well prepared for this year's peak selling period with stock on hand and significant work undertaken on in-water application machines to effectively apply WaterSavr to large water bodies.

## **Liquidity**

As at 30<sup>th</sup> September, 2007 PWS had current assets of approx \$3.5m made up of cash (A\$1.0m), inventory – at cost (A\$1.5m), debtors and other receivables (A\$0.8m). At the end of November PWS has approx 2.2m options maturing at exercise prices ranging between 20cps and 23cps. If exercised these options will generate approx \$500,000 in additional cash resources. The major option holders have indicated to PWS that they will exercise their options and hold either all or the majority of the new shares.

## **Annual General Meeting**

The PWS 2007 AGM will be held on Thursday 29<sup>th</sup> November, 2007 at 10am at the Vibe Hotel, 100 Bayswater Road, Rushcutters Bay, NSW 2011. All shareholders are welcome to attend.

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